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CENTRAL INTELLIGENCE BULLETIN
17 OCT 1972

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SOUTH KOREA: President Pak will declare martial law throughout South Korea [REDACTED]
[REDACTED]

25X1C

25X1C

The President's action is probably calculated to prolong and further tighten his control over the nation. For some time President Pak has been contemplating ways to prolong his term of office beyond 1975, the limit set by the constitution. His decision to move now may reflect an attempt to forestall opposition and factional maneuvering. Such problems surfaced in 1969, prior to the constitutional referendum that permitted him to run for a third term last year, and seriously impaired his national standing. The President, moreover, appears to be convinced that the nation needs to reaffirm his leadership so that he can deal from a position of strength with the North Koreans in the sensitive negotiations ahead. Pak's action also appears to reflect a determination to protect Korean interests at a time when he believes the great powers are less disposed to take Korean problems into account.

Pak is doubtless confident that there will be little domestic opposition to this new move because the nation is already tightly in his grip as a result of last December's emergency measures.

With an eye toward recent political events in Thailand and the Philippines, Pak probably calculates that South Korea's international standing and its relations with the US will not be seriously impaired by the new measures. Seoul has no major international objectives that could be jeopardized by the declaration now that the contentious Korean issue in the UN has been sidetracked for another year. Because of the timing of the referendum, Pak may, however, feel compelled to put off his state visit to Japan next month--a decision the sensitive Japanese would now prefer.

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Pak's action will be an unmistakable sign to the North Koreans that Seoul has no intention of lowering its guard in the talks as Pyongyang has hoped. Already frustrated by its lack of success in the negotiations, Pyongyang will seize upon the latest developments as additional examples of Seoul's perfidy and will attempt to exploit it for major propaganda gains. The North will probably not at this juncture, however, feel compelled to break off the negotiations but will wait out developments in the South before deciding how it should proceed.

(SECRET NO FOREIGN DISSEM)

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EUROPEAN LABOR: The formation of a new European labor confederation has been delayed.

The proposed confederation--to include International Confederation of Free Trade Union (ICFTU) affiliates from the EC members and candidates plus Austria, Sweden, Finland, and Switzerland--was conceived at ICFTU meetings in November 1971 and endorsed at subsequent conferences this year. A constitutional congress proposed for early December has now been postponed, however.

25X6

The primary purpose of the new European grouping would be to increase labor's influence in the EC. Past attempts at collective, community-wide action have produced only minimal results. The unions continue to rely primarily on action at the national level. With important decisions for labor on the enlarged EC due early in 1973, European labor leaders will meet again in November. This will give them another opportunity to address the question of a new European labor confederation.
(CONFIDENTIAL NO FOREIGN DISSEM)

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PERU: A US-owned firm, apparently unable to obtain Export-Import Bank credits to finance development of its Peruvian copper concessions, has reportedly secured Eurodollar financing for the Cuajone mine project.

The US Embassy in Lima has learned that First National City Bank will head a consortium to provide the Southern Peru Copper Corporation (SPCC) with \$235 million in Eurodollar loans over the next two years or so. A company spokesman implied that the funds are tied to machinery and equipment purchases and will be provided by West European or Japanese lenders. He also stated that SPCC would prefer to purchase US equipment but it has not been able to arrange US financing.

The company has been under heavy Peruvian pressure to develop the mine rapidly and has already spent an estimated \$70 million on the project. Under the 1970 contract with the Velasco regime, the company was given a deadline of December 1972 to arrange foreign financing for needed machinery and equipment. Failure to obtain financing would have resulted in a government take-over of the deposit and all of the investments made prior to that time. (CONFIDENTIAL)

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ALGERIA: Senior officials are becoming increasingly critical of Prime Minister Houari Boumediene.

25X1C

[redacted]
[redacted] although verbal attacks on Boumediene tend to peak periodically, as during the current observation of Ramadan, the present round of criticism is more widespread than in previous years. Boumediene is said to have failed to win support from the members of the Council of the Revolution and the Council of Ministers, Algeria's two main executive organs, for his attempts to make his regime more efficient. Many members of these two councils now question Boumediene's ability to govern and would like to replace him [redacted]

25X1C

25X1C

[redacted] Interior Minister Medeghri has publicly countermanded some orders of the prime minister, the chiefs of the five military regions tend to ignore him, and the National Liberation Front (FLN) party chief, Ahmed Kaid, [redacted] the FLN no longer constitutes a source of support for Boumediene's programs.

25X1C

25X6

25X1C

[redacted] Boumediene has had little success in dealing with the country's development problems. The government's agrarian reform program has been received with indifference by the peasants, and corruption in local administration is said to be getting worse. Boumediene is blamed by civil servants of Arab origin for not restraining the Berbers, who reportedly hold 75 percent of civil service positions. [redacted]

25X1C

25X1C

[redacted] Boumediene is increasingly suspicious of the army's loyalty and permits army units stationed around Algiers to control only minimal stocks of ammunition and petroleum.

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25X1C Rumors of dissension are not new to the Algerian political scene, and [REDACTED] criticism of the prime minister--although perhaps somewhat exaggerated--probably contains considerable truth. A successful move against Boumediene, however, would probably require concerted action by the major elements of the government, including key military leaders, and there is no good evidence that such action is in the works. (SECRET NO FOREIGN DISSEM)

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NOTES

THE YEMENS: Sana Radio claims that the two Yemens have agreed to a cease-fire proposed by an Arab League mediation committee. An Arab League official says that "positive and constructive results were reached" on Sunday when military representatives of Sana and Aden met under Arab League auspices to try to reach agreement on a plan for the pullback of forces from the border. Preparations are also under way for a meeting between the two Yemens, which is scheduled for next Saturday in Cairo. Although tension between the two governments apparently was reduced over the weekend, Sana still contends that Adeni forces are making sporadic attacks at widely separated points along the border. Moreover, there is no indication that the National Unity Front, the anti-Adeni dissident organization, will accept a cease-fire. (CONFIDENTIAL)

* * * *

EC: Grain production this year reached a record 80.8 million metric tons, four percent higher than last year and almost 40 percent higher than in 1962, when the Common Agricultural Policy for grains began to be implemented. Output of corn, the most important US grain export to the Community, increased by ten percent, while barley and wheat production rose eight and four percent respectively. Past growth of EC grain production has resulted in reduced US sales to the Community. This year's increase, however, should have little adverse impact on US exports because of the strong demand for feed grains and the US-EC agreement to increase normal EC wheat stockpiles by 1.5 million metric tons, an amount greater than this year's production increase. The UK's entry into the Community next year could prevent further production increases because of British opposition to boosts in grain price supports. (CONFIDENTIAL NO FOREIGN DISSEM)

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